

Message Text

LIMITED OFFICIAL USE

PAGE 01 LIMA 07153 062311Z

15

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 FEA-01 ERDA-05 OES-06

/097 W

----- 039547

R 062111Z AUG 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1303

LIMITED OFFICIAL USE LIMA 7153

EO 11652: NA

TAGS: BDIS, EIND, EINV, ENRG, PE

SUBJ: GULF - GOVERNMENT SEEKS SOLUTION TO PROBLEM CAUSED
BY SOL DEVALUATION

1. VICE MINISTER OF FINANCE AND ECONOMY ROBERTO KEIL INFORMED ACTING CHIEF ECONOMIC SECTION ON AUGUST 6 THAT HIS MINISTRY IN CONJUNCTION WITH MINISTRY OF ENERGY AND MINES WAS MAKING SERIOUS AND DETERMINED EFFORT TO FIND SATISFACTORY SOLUTION TO GULF EXPROPRIATION CASE. ACCORDING TO KEIL, PRESIDENT MORALES BERMUDEZ HAD BEEN BRIEFED ABOUT THE CASE AND HAD ORDERED THE MINISTRIES TO RESOLVE THE CASE QUICKLY.

2. KEIL SAID THAT THE PRINCIPAL PROBLEM BLOCKING A SOLUTION WAS THE FACT THAT PERUVIAN LAW REQUIRES THAT COMPENSATION PAYMENT TO GULF BE CONVERTED FROM SOLES TO DOLLARS AT EXCHANGE RATE IN EFFECT ON DATE OF AGREEMENT. SINCE SOL HAS UNDERGONE TWO DEVALUATIONS SINCE THE EXPROPRIATION, THE DOLLAR REMITTANCE TO GULF AT CURRENT EXCHANGE RATE WOULD BE CONSIDERABLY BELOW AMOUNT AGREED TO BETWEEN GULF AND MEM EARLY ON IN NEGOTIATIONS. GOP DID NOT WANT THIS TO HAPPEN, SO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LIMA 07153 062311Z

FINANCE MINISTRY WAS STUDYING WAYS OUT OF DILEMMA.

3. ONE ALTERNATIVE WOULD BE TO PROMULGATE DECREE LAW WHICH WOULD SET EXCHANGE RATE FOR COMPENSATION PAYMENTS IN EXPROPRIATION CASES AT RATE IN EFFECT ON DATE OF EXPROPRIATORY ACT. HOWEVER, KEIL INDICATED, SUCH A DECREE LAW WOULD CREATE OTHER PROBLEMS (UNRELATED TO GULY) AND PROBABLY WOULD NOT BE APPROVED. INSTEAD, KEIL SAID, HIS MINISTRY WAS MORE LIKELY TO RECOMMEND A HIGHER VALUATION OF GULF'S ASSETS IN SOLES SO THAT DOLLAR PAYMENT TO GULF AT CURRENT EXCHANGE RATE WOULD BE EQUIVALENT TO AMOUNT ALREADY AGREED UPON BETWEEN GULF AND GOP.

4. COMMENT: A. KEIL DID NOT INDICATE HOW FINANCE MINISTRY AND MEM WOULD WORK OUT HIGHER SOL VALUATION OF GULF ASSETS. WE SUSPECT THIS APPROACH MIGHT REQUIRE ADDITIONAL CONVERSATIONS BETWEEN GULF AND GOP, BUT NONE WAS REQUESTED AT THIS TIME. WE WILL ADVISE IF GOP WISHES TO MEET WITH GULF REPRESENTATIVES ON THIS MATTER. B. KEIL RAISED GULF ISSUE ON HIS OWN INITIATIVE AND IN CONTEXT OF ONGOING GOP DESIRE TO PUT TO REST MAJOR OUTSTANDING U.S.-PERU INVESTMENT ISSUES. KEIL HAD REFERRED TO ALMOST COMPLETED TOQUEPALA TAX CASE (LIMA 7104) AND POSITIVE MOMENTUM TOWARD FINAL SETTLEMENT OF MARCONA IMMEDIATELY PRIOR TO ASSERTING GOP'S WISH TO RESOLVE GULF.
SMITH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, AGREEMENTS, NATIONALIZATION, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA07153
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760304-1055
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760880/aaaacryx.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2004 by ElyME>; APPROVED <28 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GULF - GOVERNMENT SEEKS SOLUTION TO PROBLEM CAUSED BY SOL DEVALUATION
TAGS: BDIS, EIND, EINV, ENRG, PE, US, GULF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006